

**PUBLIC DISCLOSURE**

SEPTEMBER 11, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**MIDDLESEX SAVINGS BANK**

6 MAIN STREET  
NATICK, MA 01760

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its assessment area including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **MIDDLESEX SAVINGS BANK (MSB or the bank)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **SEPTEMBER 11, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "Outstanding "**

The bank's overall CRA performance reflects management's commitment to meeting the credit needs of the assessment area. The Outstanding rating was based on three performance criteria: the Lending Test, the Investment Test, and the Service Test. The ratings for the three tests are identified on page 3.

**Lending Test**

Middlesex Savings Bank's lending levels indicate an excellent responsiveness to its assessment area's credit needs. The bank originated 88.0% of its residential mortgage loans and 93.3% of its small business loans within its assessment area. The geographic distribution of loans reflects a good penetration throughout the assessment area. In addition, a review of the bank's lending to small businesses and its origination of small business loans indicated an excellent level of performance. The lending distribution by borrower profile demonstrates an excellent penetration among borrowers of various income levels, especially when compared to aggregate data. The bank's level of community development lending is indicative of its commitment to development within its assessment area. The bank's extensive use of innovative and flexible lending products was considered excellent and meets the assessment area's credit needs, particularly those of low and moderate-income individuals and small businesses.

**Investment Test**

Middlesex Savings Bank has a significant level of qualified community development investments and grants, and has exhibited an excellent responsiveness to credit and community economic development needs.

**Service Test**

Middlesex Savings Bank's services are outstanding. The bank's delivery systems are readily accessible to all portions of the assessment area. The bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations. MSB is a leader in providing community development services.

### **LENDING, INVESTMENT, AND SERVICE TEST TABLE**

The following table indicates the performance level of Middlesex Savings Bank, Natick, Massachusetts, with respect to the lending, investment, and service tests.

<b>PERFORMANCE TESTS Middlesex Savings Bank</b>			
<b>Performance Levels</b>	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding	<b>X</b>	<b>X</b>	<b>X</b>
High Satisfactory			
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **DESCRIPTION OF INSTITUTION**

Middlesex Savings Bank (MSB) is a community-based mutual savings bank headquartered in Natick, Massachusetts. The institution maintains twenty branches in Massachusetts, including the main office located at 6 Main Street in Natick. All of the branch locations offer walk-up automated teller machines (ATMs). Seven branches offer drive-up ATMs and ten locations offer drive-up banking facilities. On October 2, 2000, the bank opened a new branch in the town of Littleton. The bank operates five cash dispensing machines including one at the Clocktower Place in Maynard and at Newbury Court, an assisted living facility in Concord. The bank also maintains two operations centers located at 36 Summer Street and 235 West Central Street in Natick.

According to the June 30, 2001 FDIC Quarterly Call Report, Middlesex Savings Bank had \$2,500,749,000 in assets; of which loans represented \$1,169,987,000 or 46.8 percent of total assets. As of that date, the bank had total deposits of \$2,039,733,000. Approximately, 90.0 percent of the bank's loan portfolio is in real estate loans with 61.6 percent of those loans secured by 1-4 family real estate. The bank maintains approximately 21.7 percent of its loan portfolio in commercial real estate and 7.2 percent in commercial and industrial loans. Table 1 details the bank's loan portfolio by type.

**Loan Portfolio CompositionTable 1**

<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
One to Four-Family Residential Mortgages	\$720,979	61.6
Commercial Real Estate	\$253,320	21.7
Commercial and Industrial	\$84,807	7.2
Equity Lines of Credit	\$42,222	3.6
Construction and Land Development	\$36,526	3.1
Multifamily Loans	\$18,132	1.6
Consumer Loans	\$12,943	1.1
All Other Loans	\$1,058	0.1
<b>Total Gross Loans</b>	<b>\$1,169,987</b>	<b>100.0</b>

Source: June 30, 2001 Consolidated Report of Condition.

The bank sells the majority of its 30-year fixed rate loans to Plymouth Mortgage Corporation. In 2000, the bank sold 53 loans totaling \$8,114,285. As of June 30, 2001, the bank sold 58 loans totaling \$9,894,872.

The bank's quarterly gross loan-to-deposit ratio was 63.3 percent on March 31, 2000 and declined to 57.4 percent on June 30, 2001. The decrease was due to an increase in deposits of 26.8 percent while loans increased by only 14.8 percent. The bank operates in a highly competitive market, which contributed to the slight decrease in the loan-to-deposit ratio.

The bank's primary business focus is residential mortgage lending as well as commercial financing for local businesses. Middlesex Savings Bank's credit products include home mortgage financing and refinancing through fixed and variable rate products as well as construction loans. A variety of consumer loan products are also available including automobile (new and used), personal, home equity, overdraft protection, and education loans. Business and commercial lending is provided through commercial and industrial loans, including mortgage construction, equipment, and lines of credit.

There are no financial or legal impediments that would limit the bank's ability to meet the credit needs of the assessment area. Middlesex Savings Bank's performance under the Community Reinvestment Act (CRA) was assigned an "Outstanding " CRA rating at the previous FDIC examination dated February 7, 2000. The Commonwealth of Massachusetts Division of Banks assigned a rating of "Outstanding" at the examination dated October 13, 1998.

Middlesex Savings Bank operates in a very competitive business environment and experiences competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: MetroWest Bank; Milford Federal Savings and Loan; Fleet National Bank; Community National Bank as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 1999 aggregate performance data (the most recent data available), indicates that among the 589 lenders in the assessment area, the bank was ranked 17<sup>th</sup> with 1.4 percent of the market share in total loans originated or purchased within its assessment area. Countrywide Home Loans was number one in total loans originated or purchased with 6.6 percent of the market share.

## **DESCRIPTION OF ASSESSMENT AREA**

### **Overview**

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. The bank's assessment area contains 51 cities and towns located throughout Middlesex, Norfolk, and Worcester counties. The majority of the cities and towns are located in the Boston Metropolitan Statistical Area (MSA) except for Chelmsford, Dunstable, Groton, Pepperell, Tyngsboro, and Westford which are located in the Lowell MSA; and Northborough and Westborough which are located in the Worcester MSA. The following table identifies the cities and towns located in the bank's assessment area.

<b>Middlesex Savings Bank – Assessment Area</b>		
<b>Middlesex County</b>		
Acton	Holliston	Sherborn
Ashland	Hopkinton	Shirley
Ayer	Hudson	Stow
Bedford	Lexington	Sudbury
Boxborough	Lincoln	Townsend
Carlisle	Littleton	Tyngsboro
Chelmsford	Marlborough	Waltham
Concord	Maynard	Wayland
Dunstable	Natick	Westford
Framingham	Newton	Weston
Groton	Pepperell	
<b>Norfolk County</b>		
Bellingham	Medway	Walpole
Dover	Millis	Wellesley
Franklin	Needham	
Medfield	Norfolk	
<b>Worcester County</b>		
Berlin	Hopedale	Southborough
Bolton	Milford	Upton
Harvard	Northborough	Westborough

The assessment area contains 157 census tracts of which 1 (0.6%) is low-income, 13 (8.3%) are moderate-income, 55 (35.0%) are middle-income, 86 (54.8%) are upper-income and 2 (1.3%) have no income designation. The low-income tract is located in Bellingham and contains only five housing units. The tracts designated as N/A are located in Bellingham and Marlborough and contain no households. Since residential lending opportunities in these areas are limited, these tracts have been excluded from the analysis of the bank's HMDA reportable lending.

Demographic data obtained from CRA WIZ, based on 1990 census data, indicates that the bank's assessment area contains a total population of 813,083 individuals. There are 299,844 housing units within the assessment area of which 67.9% are owner-occupied. Most of the units are located in middle and upper-income census tracts. More specifically, there are only five rental units in the low-income census tract. Therefore, the lending opportunities are very limited in this tract. Four percent of the total households in the assessment area are reported below the poverty level.

The following table provides demographic and economic information pertaining to the bank's assessment area.



<b>Table 2 – Selected Housing Characteristics by Income Category of the Geography</b>						
<b>Geographic Income Category</b>	<b>Percentage</b>					
	<b>Census Tracts</b>	<b>Households</b>	<b>Housing Units</b>	<b>Owner- Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>
<b>Low</b>	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Moderate</b>	8.3%	7.2%	7.3%	3.3%	16.7%	10.7%
<b>Middle</b>	35.0%	39.6%	39.8%	36.2%	47.9%	43.7%
<b>Upper</b>	54.8%	53.2%	52.9%	60.5%	35.4%	45.6%
<b>N/A</b>	1.3%	-	-	-	-	-
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: 1990 U.S. Census

The housing stock in the assessment area consists predominately of 1-4 family housing units (83.0 percent). Much of the area's housing stock was built prior to 1960. The median housing value in the assessment area based on 1990 census data is \$219,653. A more accurate figure was obtained from the housing statistics of the September 24, 2001 Bankers and Tradesman. According to this publication, the median housing value in the three counties served by the bank is \$227,064; and ranges from a low of \$211,000 in the Town of Milford to a high of \$626,500 in the Town of Wellesley.

According to Dun and Bradstreet (D&B) data, the number of employment establishments in the assessment area numbered 43,715. The leading field of employment is the service industry with 48.3 percent, followed by retail trade at 15.5 percent, and construction at 8.8 percent. In addition, the gross annual revenue reports indicate that 75.4 percent of the establishments have revenues of \$500,000 or less and 76.8 percent of the businesses had 9 or fewer employees. This demonstrates a potential need for small business loans.

The town of Natick is a suburban industrial center located in the upper basin of the Charles and Concord Rivers. The town was originally a farming community but has become an industrial Boston-oriented suburban community with heavy strip development on Route 9. Route 128 and the Massachusetts Turnpike divide the region into inner and outer zones, which are connected by numerous spokes providing direct access to the airport, shopping malls, and other points of interest. The region has experienced unprecedented growth within the last five years.

As part of the examination, community contacts are conducted to determine if there are any areas in need of assistance from local institutions, and to verify if the institutions are meeting the credit needs of the community. Two community contacts conducted during the examination provided relevant information on the assessment area. The contacts were conducted in Medfield and Framingham. One of the organizations primarily focuses on affordable housing while the other organization's focus is on economic development for the MetroWest area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

The institution's Lending Test performance was rated an overall "Outstanding". The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

#### **Scope of Evaluation**

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage loans originated during 2000 and year-to-date June 5, 2001 were included in the bank's performance. Small business loans originated during 2000 and year-to-date March 31, 2001 were also included in the bank's performance.

The data used to evaluate the bank's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act/ Loan Application Register) and the bank's CRA Disclosure Statement.

#### **I. Lending Activity**

Middlesex Savings Bank's lending levels reflect a good responsiveness to the assessment area's credit needs. The bank had total assets of \$2.5 billion as of June 30, 2001. Net loans total \$1.2 billion or 48.0 percent of total assets. Lending on one-to-four family residential properties represents the largest portion of the bank's loan portfolio followed by commercial real estate loans and commercial loans.

The bank's net loans and leases to assets ratio was 46.7 percent as of March 31, 2001. The peer group's net loans and leases to assets ratio for March 31, 2001 was 65.9 percent, placing the bank in the sixth percentile. The bank's ratio is lower than the peer; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

#### **HMDA-Reportable Loans**

For the period reviewed, Middlesex Savings Bank originated 790 HMDA-reportable loans totaling \$186 million. Of these loans, 695 representing 88.0 percent of the total loans

were originated in the assessment area. By dollar amount, these loans totaled \$167 million or 89.9 percent of total dollars loaned.

Natick accounted for the largest percentage of originations by number with 12.8 percent, followed by Framingham with 7.5 percent. Natick also accounted for the largest dollar volume of originations with 10.9 percent, followed by Concord with 7.0 percent. Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

<b>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2000</b>	503	87.0	118,870	89.2	75	13.0	14,367	10.8
<b>2001</b>	192	90.6	48,289	91.6	20	9.4	4,430	8.4
<b>Total</b>	<b>695</b>	<b>88.0</b>	<b>167,159</b>	<b>89.9</b>	<b>95</b>	<b>12.0</b>	<b>18,797</b>	<b>10.1</b>

Source: HMDA/LAR, CRA Wiz

In 1999, Middlesex Savings Bank ranked 17th in market share out of 589 HMDA reporting lenders in the assessment area. Middlesex Savings Bank originated 741 loans in the assessment area giving the bank a 1.4 percent market share. The top three lenders in the assessment area were: Countrywide Home Loans with 3,401 loans and a 6.6 percent share of the market; Fleet National Bank with 1,609 loans and a 3.1 percent share of the market; and Norwest Mortgage, Inc. with 1,344 loans and a 2.6 percent share of the market.

### **Small Business Lending**

Middlesex Savings Bank's Small Business Loan Registers (SBLRs) for 2000 and year-to-date March 31, 2001 were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated 436 small business loans totaling \$42.7 million, during this period. A total of 407 loans worth \$38.6 million were originated to businesses within the bank's assessment area, representing 93.3 percent by number and 90.3 percent by dollar volume.

Refer to the following table for the distribution of small business loans inside and outside the assessment area.

<b>Distribution of Small Business Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2000</b>	347	93.5	35,592	91.3	24	6.5	3,403	8.7
<b>2001</b>	60	92.3	3,007	80.3	5	7.7	740	19.7
<b>Total</b>	<b>407</b>	<b>93.3</b>	<b>38,599</b>	<b>90.3</b>	<b>29</b>	<b>6.7</b>	<b>4,143</b>	<b>9.7</b>

Source: CRA Data Collection

The bank's distribution of residential and small business loans inside the assessment area is considered excellent.

## II. Geographic Distribution by Census Tract Income Level

HMDA-reportable and small business loans located within the bank's assessment area were further analyzed to determine their location by census tract income level.

### HMDA-Reportable Loans

The table below shows the number of HMDA-reportable loans in comparison to the number of owner-occupied housing units in each census tract income category.

<b><i>Distribution of HMDA Loans by Income Category of the Census Tract</i></b>							
<b><i>Census Tract Income Level</i></b>	<b><i>% Total Owner-Occupied Housing Units</i></b>	<b><i>2000</i></b>		<b><i>YTD 2001</i></b>		<b><i>Total</i></b>	
		<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
Moderate	3.2	10	2.0	5	2.6	15	2.2
Middle	36.2	193	38.4	78	40.6	271	39.0
Upper	60.6	300	59.6	109	56.8	409	58.8
<b>Total</b>	<b>100.0</b>	<b>503</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>695</b>	<b>100.0</b>

Source: U.S. Census, HMDA /LAR January 1, 2000 to year-to-date June 5, 2001

According to this analysis 2.2 percent of the bank's total loans for the period reviewed were originated within moderate-income census tracts. This distribution is slightly below the percentage of owner-occupied housing units. However, these low percentages reflect the limited number of residential lending opportunities available in the moderate-income tracts. In addition, competition in the assessment area is very strong making it even more difficult to lend in these tracts.

The geographic distribution of the bank's loans by census tract income category was compared to that of all other HMDA-reporters in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

<b>Distribution of HMDA Reportable Loans Middlesex Savings Bank Compared to All Other Reporters</b>								
<b>Census Tract Income Level</b>	<b>Number of Loans</b>				<b>Dollar Amount of Loans</b>			
	<b>Middlesex Savings Bank</b>		<b>All Other Reporters</b>		<b>Middlesex Savings Bank</b>		<b>All Other Reporters</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Moderate	17	2.3	1,944	3.8	2,261	1.5	246,493	2.5
Middle	266	35.9	18,767	37.0	38,098	25.3	2,672,277	27.3
Upper	458	61.8	30,056	59.2	110,044	73.2	6,865,916	70.2
NA	-	-	2	0.0	-	-	230	0.0
<b>Total</b>	<b>741</b>	<b>100.0%</b>	<b>50,769</b>	<b>100.0%</b>	<b>150,403</b>	<b>100.0%</b>	<b>9,784,916</b>	<b>100.0%</b>

Source: HMDA Aggregate Data, CRA Wiz 1999

As demonstrated above, the percentage of the bank's lending in moderate-income census tracts, by both number and dollar amount is below the aggregate. Middlesex Savings Bank's lending activity in moderate-income census tracts was 2.3 percent by number and 1.5 percent by dollar amount in 1999. In comparison, the aggregate originated 3.8 percent by number and 2.5 percent by dollar amount in moderate-income census tracts.

### Small Business Lending

Middlesex Savings Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area.

The following table depicts this distribution.

<b><i>Distribution of Small Business Loans by Income Category of the Census Tract</i></b>						
<b>Census Tract Income Level</b>	<b>2000</b>		<b>YTD 2001</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	20	5.8	4	6.7	24	5.9
Middle	127	36.6	29	48.3	156	38.3
Upper	200	57.6	27	45.0	227	55.8
<b>Total</b>	<b>347</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>407</b>	<b>100.0</b>

Source: CRA Data Reports – January 1, 2000 to year-to-date March 31, 2001

An analysis of small businesses in the assessment area indicates that 6.4 percent of all small businesses are located in moderate-income census tracts, 37.8 percent are located in middle-income census tracts and 55.8 percent in upper-income census tracts.

As shown above, the majority of small business loans (55.8%) were made in upper-income census tracts, which is comparable to the percentage of small businesses in the upper-income tracts of the assessment area. The moderate and middle-income census tract's small business distribution is slightly less than the level of small businesses in those areas.

Based on the above information, the bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects an adequate dispersion of loans throughout the assessment area.

### **III. Borrower Characteristics**

The bank's residential and small business loans were further analyzed to determine the distribution of lending by borrower income level and by business revenue and loan size. Residential loan borrowers' reported incomes were compared to the median family income of the Boston, Lowell MA-NH, and the Worcester MA-CT Metropolitan Statistical Areas (MSAs). These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 2000 and 2001 HUD information.

<b>MSA</b>	<b>2000</b>	<b>2001</b>
Boston	\$65,500	\$70,000
Lowell	\$64,900	\$70,200
Worcester	\$54,400	\$57,000

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

### **HMDA-Reportable Loans**

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group.

<b>Distribution of HMDA Loans by Borrower Income</b>							
<b>Median Family Income Level</b>	<b>% Total Family Households</b>	<b>2000</b>		<b>YTD 2001</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	14.9	31	6.2	8	4.2	39	5.6
Moderate	12.8	73	14.5	21	10.9	94	13.5
Middle	18.1	91	18.0	36	18.8	127	18.3
Upper	54.2	279	55.5	109	56.8	388	55.8
NA	0.0	29	5.8	18	9.3	47	6.8
<b>Total</b>	<b>100.0</b>	<b>503</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>695</b>	<b>100.0</b>

Source: U.S. Census, HMDA /LAR January 1, 2000 to year-to-date June 5, 2001

Middlesex Savings Bank extended 39 loans to low-income borrowers representing 5.6 percent of the total loans originated within the assessment area. This is well below the 14.9 percent of low-income family households within the assessment area. However, this can be attributed to the fact that approximately 4.0% of the families are living below the poverty level making it difficult to generate loans to this group. In addition, the high cost associated with purchasing a home in the assessment area makes homeownership difficult for many individuals.

Middlesex Savings Bank originated 94 loans to moderate-income borrowers, representing 13.5 of the total originations within the assessment area. This percentage is slightly above the 12.8 percent of moderate-income family households within the assessment.

The distribution of the bank's loans among various borrower income levels was compared to that of all other HMDA-reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

<b>Distribution of HMDA Reportable Loans Middlesex Savings Bank Compared to All Other Reporters</b>								
<b>Borrower Income Level</b>	<b>Number of Loans</b>				<b>Dollar Amount of Loans</b>			
	Middlesex Savings Bank		All Other Reporters		Middlesex Savings Bank		All Other Reporters	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Low	39	5.3	1,463	2.9	3,030	2.0	132,416	1.4
Moderate	103	13.9	5,081	10.0	11,359	7.6	534,657	5.5
Middle	167	22.5	9,465	18.6	22,887	15.2	1,283,457	13.1
Upper	392	52.9	25,125	49.5	101,359	67.4	5,808,304	59.4
NA	40	5.4	9,635	19.0	11,768	7.8	2,026,082	20.6
<b>Total</b>	<b>741</b>	<b>100.0%</b>	<b>50,769</b>	<b>100.0%</b>	<b>150,403</b>	<b>100.0%</b>	<b>9,784,916</b>	<b>100.0%</b>

Source: HMDA Aggregate Data

As shown above, Middlesex Savings Bank's percentage of loans to low-income borrowers exceeds that of the aggregate in 1999 by both number and dollar amount. Middlesex Savings Bank originated 5.3 percent of its loans by number and 2.0 percent by dollar amount to low-income borrowers, compared to the aggregate with 2.9 percent by number and 1.4 percent by dollar amount. The bank's level of HMDA-reportable lending to moderate-income borrowers accounted for 13.9 percent by number and 7.6 percent by dollar amount within the assessment area. Both the number and the dollar amount of loans exceeded that of the aggregate.

Middlesex Savings Bank ranked 8th in market share in lending to low and moderate-income individuals in the assessment area in 1999. The bank originated 142 loans to low and moderate-income borrowers capturing 2.1 percent of the market. The top three lenders to low and moderate-income borrowers were Countrywide Home Loans with 7.4 percent, Fleet National Bank with 2.6 percent, and Bank of America NA with 2.5 percent.

### Small Business Lending

Small business loans originated within the bank's assessment area were analyzed to determine the typical loan amount at origination. The majority of the 407 small business loans originated (76.4%), in the bank's assessment area, had original loan amounts of \$100,000 or less. Refer to the table below.

<b><i>Distribution of Small Business Loans by Loan Size</i></b>						
<b><i>Loan Size (000s)</i></b>	<b><i>2000</i></b>		<b><i>YTD 2001</i></b>		<b><i>Total</i></b>	
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
<b><i>&lt; =\$100</i></b>	258	74.4	53	88.3	311	76.4
<b><i>&gt;\$100 -&lt;=\$250</i></b>	56	16.1	7	11.7	63	15.5
<b><i>&gt; \$250 - &lt;=\$1,000</i></b>	33	9.5	0	0.0	33	8.1
<b>Total</b>	<b>347</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>407</b>	<b>100.0</b>

Source: CRA Data Reports – January 1, 2000 to March 31, 2001

By dollar amount, 29.8 percent of the loans had amounts less than or equal to \$100,000 and 28.8 percent had loan amounts between \$100,000 and \$250,000. The remaining 41.4 percent had loan amounts greater than \$250,000.

Small business loans originated within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated (68.3%) were granted to small businesses whose annual revenues were \$1 million or less. The following table depicts



the distribution of small business loans within the bank's assessment area by revenues of the business.

<b><i>Distribution of Small Business Loans by Gross Annual Revenues of Business</i></b>						
<b><i>Gross Annual Revenues (000s)</i></b>	<b><i>2000</i></b>		<b><i>YTD 2001</i></b>		<b><i>Total</i></b>	
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
<b><i>&lt;= \$1,000</i></b>	233	67.1	45	75.0	278	68.3
<b><i>&gt; \$1,000</i></b>	114	32.9	15	25.0	129	31.7
<b>Total</b>	<b>347</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>407</b>	<b>100.0</b>

Source: CRA Data Reports – January 1, 2000 to year-to-date March 31, 2001

Based on the information above, the bank's lending to borrowers of different income levels and businesses of various sizes with small business loans reflects a good performance.

#### **IV. Community Development Lending**

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

During the examination period, Middlesex Savings Bank originated three loans totaling \$4.5 million that meet the definition of community development. In addition, the bank made a commitment to make another community development loan between \$6 and \$7 million. The following describes the community development loans originated and committed during the period under review.

On April 7, 2000, Middlesex Savings Bank granted a \$2,500,000 construction loan to a development corporation to construct affordable housing in Ashland. Proceeds from the loan are being used to construct a sixteen-unit housing project. Eleven of the units will be sold at market price and five units will be sold to qualified buyers as affordable housing at below market prices. Loan repayment will come from the sale of the units. The loan was extended with reduced fees, no points and a rate lock from application to closing.

On December 20, 2000 Middlesex Savings Bank renewed a \$1,000,000 working capital line of credit maturing on November 26, 2001 to a non-profit organization, whose goal is

to help individuals attain economic self-sufficiency. This is done in part by helping men and woman participate in the organizations Adult Literacy programs. These programs offer GED preparation and computer skill training. Many of the participants in the programs have been previously homeless and some are currently residing in one of the organization's shelters or transitional housing programs.

On January 31, 2001, the bank originated a \$1 million working capital line of credit to a non-profit organization in Framingham that provides human services to adolescents, children, and families from the MetroWest and Greater Boston communities. Services provided include youth residential services, teen health services, counseling and substance abuse treatment programs, mental health services, and other related programs. The organization's business assets secure the loan.

During 2001, the bank has committed between \$6 million and \$7 million dollars for the construction of 60 condominium units in Framingham. Twenty-five percent of the units will be affordable units and sold to individual homeowners whose incomes do not exceed 80.0 percent of the area's median income.

## **V. Innovative or Flexible Lending Practices**

Middlesex Savings Bank designs and participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. The bank's innovative and/or flexible lending practices extensively serve the assessment area's credit needs. Details of these programs are as follows.

### ***Mortgage Loan Programs***

#### **The Flexible 97 Mortgage Program**

This in-house loan program is designed for homebuyers with limited savings but very good credit histories. The program features a low downpayment requirement of 3 percent, a 30-year fixed rate and flexible underwriting guidelines. During 2000, the bank originated 12 loans totaling \$1,733,100. There were no loans originated as of year-to-date September 1, 2001.

#### **"First-Time Home Buyer" Program**

Middlesex Savings Bank offers a First-Time HomeBuyer product for all owner- occupied properties for loans up to \$350,000. The product offers features that assist prospective customers in qualifying for a mortgage loan. While the product is not specifically targeted to low and moderate-income borrowers, the program does benefit these customers. Terms and conditions for the program are as follows: no application fee, no points, reduced closing costs, reduced interest rates, 90 percent LTV, and no private

mortgage insurance required. In addition, there are no restrictions on the source of funds for the down payment. During 2000, the bank originated 170 loans totaling \$32,369,285. For the year-to-date September 30, 2001, the bank originated 52 loans totaling \$11,886,294.

### **Homeowner Options for Massachusetts Elders (HOME)**

Middlesex Savings Bank is part of the network of Massachusetts lending institutions affiliated with the HOME Program. HOME is an independent non-profit agency dedicated to helping low- and moderate-income seniors with financial and housing counseling and assistance. The program provides education with regard to property taxes, home repairs, in-home care, and equity conversion. The bank's involvement with HOME includes referring identified customers to the organization for assistance, participating in community outreach and education activities, and offering various lending products including reverse mortgages and senior equity lines of credit. During 2000, the bank originated one reverse mortgage for \$630,000 in association with the program. For the year-to-date September 1, 2001, the bank has originated one loan for \$182,500.

### **Driven to Succeed, Inc**

The purpose of this organization is to receive, through charitable contributions or purchase for a minimal amount, motor vehicles, which will be made ready for use by individuals deemed eligible by the appropriate Commonwealth of Massachusetts State Agency, including the Department of Transportation and Construction and the Department of Transitional Assistance. The organization provides vehicles to persons who otherwise would be unable to access jobs due to lack of public or private transportation. During 2000, the bank began providing financing to the individual applicant for the purchase, insurance and registration of the vehicle. Loans are underwritten using relaxed guidelines. Loans in the amount of \$1,000 - \$1,500 will be provided, at the used car rate and at a term not to exceed 30 months to keep payments low. To date, the bank has originated 13 loans totaling \$7,509 under this program.

### **Other**

In addition to the above programs, some of the bank's HMDA-reportable residential loans, previously captured in this report under other sections of the lending test, demonstrate management's willingness to lend for community development purposes. These credits are deserving of special mention, although they are not identified as community development loans. A sample of these loans is provided below:

- On May 24, 2000, a \$229,000 mortgage was granted to purchase a home to house four disabled individuals. The bank made several concessions on the credit

including financing 100 percent of the purchase price and waiving the application and appraisal fees.

- On May 16, 2000 and June 7, 2000, the bank granted two mortgages of \$172,000 and \$184,000 respectively to an organization for the purchase of two single homes to be rented at below market rates to physically and mentally disabled individuals.

### ***Small Business Programs***

#### **Small Business Administration Low/Doc Program**

The Small Business Administration (SBA) Low/Doc Program provides SBA guarantees on privately made small business loans of \$100,000 or less. During 2000 the bank originated 8 loans totaling \$785,000. As of year-to-date September 1, 2001, the bank originated 3 loans totaling \$320,000.

#### **Small Business Administration 504 Loan Program**

The SBA 504 Loan Program provides long-term fixed asset financing made through a Certified Development Company. The program provides for 40 percent financing of the project and a 10 percent equity investment by the borrower is required. The minimum dollar amount extended is \$50,000 and the maximum amount is \$1 million. During 2000, the bank originated 5 loans totaling \$2,150,000. As of year-to-date September 1, 2001, the bank originated 4 loans totaling \$1,446,800.

#### **Massachusetts Capital Access Program (CAP)**

The Massachusetts Business Development Corporation administers CAP. The purpose of the program is to increase banks' flexibility in originating loans to small businesses, especially to those businesses that may not qualify under normal loan underwriting policies. "Pooled reserve" accounts are established at each participating bank from funds contributed by the bank, the borrower, and the Commonwealth of Massachusetts. The bank can draw down these accounts to absorb losses incurred on qualifying small business loans enrolled in the CAP. To participate in the program a loan must be made to a qualifying small business based in Massachusetts, the business must have annual sales of less than \$5 million, and the loan amount generally may not exceed \$500,000. During 2000, the bank originated 11 loans totaling \$800,000. As of year-to-date September 1, 2001, the bank originated two loans totaling \$50,000.

## **Frederick A. Rubin Micro-Loan Fund (Rubin Fund)**

In 1997, Middlesex Savings Bank took a leadership role in establishing the Rubin Fund along with the MetroWest Chamber of Commerce and a consortium of 6 local banks. This fund provides financing to existing small businesses and start-up businesses in the MetroWest region that have been unable to access credit through traditional banking avenues due to a lack of credit history, limited business experience, or loan amounts below lending thresholds. The program encourages small and start-up businesses to apply for secured and unsecured loans from \$2,000 to \$10,000 through a simplified application process. In addition, this fund allows further flexibility by allowing loan amounts of less than \$2,000 to accommodate smaller sized businesses.

The fund's continued support of small and start-up businesses has created employment opportunities for the MetroWest area, benefiting low and moderate-income individuals and downtown Framingham's moderate-income census tract. Middlesex Saving Bank made a \$50,000 commitment with \$20,000 extended. For the period under review three loans were granted totaling \$25,000 bringing the outstanding balance of the fund to \$60,029. As of August 31, 2001 Middlesex Savings Bank's portion of the outstanding fund balance is \$10,000.

## **VI. Fair Lending Policies and Practices**

MSB's fair lending information was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

MSB's fair lending policy and procedures are comprehensive and address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, the Equal Credit Opportunity Act, and the Consumer Protection Act.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding technical requirements as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. This training includes counseling for borrowers who need financial assistance, if necessary.

The bank's staff volunteer their time at a variety of area organizations in need of their training and expertise. Middlesex Savings Bank markets its services and products to the community through a variety of media including print, television, radio, and through the Internet. Seminars are also conducted in order to inform potential customers of the services the bank provides.

The bank has established a formal Second Review Program that requires all residential real estate related applications slated for denial to be reviewed by an objective third

party. The purpose of the review is to ensure that all reasons for denials are sound. The bank's Vice President of Loan Servicing also conducts regular HMDA reviews for reporting accuracy.

## MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 2000 through June 5, 2001, the bank received 765 residential loan applications from within its assessment area. Of these, 695 or 90.8% were approved. During this period, 58 applications or 7.6% were received from minorities. Of these, 48 or 82.8% were originated. Refer to the following table for further details.

**Middlesex Savings Bank Residential Application Flow**

	<b>2000</b>		<b>2001-YTD</b>		<b>TOTALS</b>	
<b>RACE</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Native American	0	0.0	2	1.0	2	0.3
Asian	19	3.4	6	2.7	25	3.3
Black	3	0.5	1	0.5	4	0.5
Hispanic	6	1.1	1	0.5	7	0.9
Joint Race	12	2.2	1	0.5	13	1.7
Other	6	1.1	1	0.5	7	0.9
<b>TOTAL MINORITY</b>	<b>46</b>	<b>8.3</b>	<b>12</b>	<b>5.7</b>	<b>58</b>	<b>7.6</b>
White	489	88.1	186	88.6	675	88.3
NO INFO	20	3.6	12	5.7	32	4.1
<b>TOTAL APPLICATIONS</b>	<b>555</b>	<b>100.0</b>	<b>210</b>	<b>100.0</b>	<b>765</b>	<b>100.0</b>

SOURCE - CRA Wiz 2001and YTD June 5, 2001

An analysis was also performed comparing the bank's application flow levels in 1999 to all other HMDA-reporting lenders. This data indicated that the bank received 7.1% of its applications from minority applicants compared to 6.4% for all other lenders. Refer to the following table for additional information.

**Residential Application Flow**  
**Middlesex Savings Bank Compared to All Other HMDA-Reporters**

Race	Middlesex Savings Bank		All Other Reporters	
	#	%	#	%
Native American	3	0.4	119	0.3
Asian	22	2.7	1,799	2.7
Black	2	0.3	469	0.7
Hispanic	6	0.7	549	0.8
Joint	19	2.4	745	1.1
Other	5	0.6	560	0.8
<b>Total Minority</b>	<b>57</b>	<b>7.1</b>	<b>4,241</b>	<b>6.4%</b>
White	705	87.9	43,702	65.6%
No Information	40	5.0	18,655	28.0%
<b>Total</b>	<b>802</b>	<b>100.0%</b>	<b>66,598</b>	<b>100.0%</b>

Source: HMDA Data for the period 1/1/99 to 12/31/99.

According to 1990 Census Data, the bank's assessment area contained a total population of 813,083 individuals of whom 7.1 percent are minorities. The minority population is 0.1 percent Native American, 2.6 percent Asian, 1.8 percent Black, 2.5 percent Hispanic and 0.1 percent Other minorities.

## **VII. Loss of Affordable Housing**

The bank's participation in community development projects along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

## **CONCLUSION (Lending Test)**

Middlesex Savings Bank has demonstrated an excellent responsiveness to credit needs. The vast majority of the bank's residential and small business loans are made within its assessment area and are well distributed throughout its communities. The bank's lending also demonstrates a good distribution of loans among individuals of different income levels, often exceeding the aggregate; as well as a good level of lending to businesses of different sizes. The institution has granted a significant amount of community development loans. Lending granted through innovative and flexible programs is considered good. In addition, the bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of Outstanding.

## INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Middlesex Savings Bank is rated "Outstanding" in this area. The following describes the institution's qualified investments.

### *Investments*

#### **Federal National Mortgage Association (FNMA)**

In 1998 the bank committed to invest \$5 million in FNMA targeted mortgage backed securities. The securities are backed by 30-year residential mortgage properties located in Middlesex, Norfolk, and Worcester counties that are made to borrowers with incomes less than 80% of the area median income. As of June 30, 2001, the loan pools had a total book value, of \$3,525,177. See the table below for details.

#### **FEDERAL NATIONAL MORTGAGE ASSOCIATION LOAN POOLS**

<b>Instrument</b>	<b>Rate</b>	<b>Purchase Date</b>	<b>Purchase Par Value</b>	<b>Book Value 6-30-01</b>
Pool# 252187	6.5%	10-06-98	\$366,012.	\$362,416.80
Pool#252310	6.0%	12-07-98	\$566,001.	\$540,567.10
Pool#252357	6.5%	01-11-99	\$317,226.	\$283,584.44
Pool#252356	6.0%	01-11-99	\$257,299.	\$182,087.89
Pool#252356	6.0%	01-11-99	\$210,867.	\$149,228.42
Pool#252357	6.5%	01-11-99	\$952,080.	\$855,160.57
Pool#252357	6.5%	01-11-99	\$178,069.	\$159,184.89
Pool#252356	6.0%	01-11-99	\$610,733.	\$434,710.10
Pool#259085	8.0%	07-13-00	\$288,037.	\$289,545.60
Pool#259097	8.0%	08-11-00	\$406,253.	\$268,690.88
<b>TOTAL</b>			<b>\$4,152,577.</b>	<b>\$3,525,176.69</b>

#### **Access Capital Strategies Community Investment Fund, Inc. (ACSCIF)**

On November 5, 1998, MSB invested \$5 million in Access Capital Strategies Community Investment Fund, Inc. (ACSCIF). The ACSCIF is a SEC-registered fund structured as a business development corporation. The primary purpose of the fund is to provide a secondary market and financing vehicle for community development loans. The fund invests in private placement debt securities that support affordable housing,



education, small business loan securitizations, and other job creating investments within a target region specified by the investing institution. MSB's designated target region for the investment is the Commonwealth of Massachusetts.

### **Boston Bank of Commerce-Certificate of Deposit**

On September 28, 1998, MSB opened a \$100,000 certificate of deposit with Boston Bank of Commerce (BBOC) Boston, Massachusetts. BBOC is a certified Community Development Financial Institution (CDFI). A CDFI is a private sector financial intermediary with community development as its primary mission. BBOC's designated assessment area is the City of Boston as well as two additional counties located in the State of Florida. While not located within MSB's assessment area, this investment is recognized due to its location within a wider statewide area that includes the bank's assessment area.

### **Frederick A. Rubin Micro-Loan Fund (Rubin Fund)**

As previously mentioned in the lending test, in 1997 Middlesex Savings Bank took a leadership role in establishing the Rubin Fund along with the MetroWest Chamber of Commerce and a consortium of 6 local banks.

The fund's continued support of small and start-up businesses has created employment opportunities for the MetroWest area, benefiting low and moderate-income individuals and downtown Framingham's moderate-income census tract. As of September 11, 2001 Middlesex Savings Bank's commitment remains at \$50,000 with \$20,000 extended for on-going use of the fund.

### ***Charitable Grants***

The bank has provided qualified charitable contributions to organizations that provide education and training, affordable housing, youth programs, health and human services for individuals in need and supports community and economic development needs. In 2000, the bank provided \$94,191 (41% of total contributions) in qualified contributions and grants in support of development of facilities that promote community development as defined under the CRA regulation. As of September 11, 2001, the bank contributed \$66,852 (58% of total contributions) for community development purposes. The following are examples of these contributions:

- **MetroWest Adult English As A Second Language Program:** This program promotes adult education and literacy in Framingham. The majority of the individuals served by this program are low and moderate-income individuals, who, without the program would not be able to obtain employment commensurate with their job skill level.

- **Consumer Credit Counseling of Massachusetts:** This non-profit organization provides financial counseling and educational programs for families and individuals that reside in the MetroWest area through its Framingham office. Services provided by this organization include seminars on budgeting, money management, and credit histories.
- **WATCH:** This organization is a housing and advocacy organization dedicated to promoting safe and decent affordable housing for low and moderate-income individuals in Waltham. Proceeds of the grant are used to provide apartment search assistance, first-time homebuyer counseling, and tenant education programs.
- **MetroWest YMCA:** The bank contributed to the MetroWest YMCA's Partners with Youth Campaign in 2000. This contribution provided financial assistance to MetroWest children, teens and families in need who might otherwise have been unable to take part in the Y's many programs and services. In addition, hundreds of low-income children and teens were able to participate in the Y's childcare, summer camp, teen nights, sports or enrichment programs.
- **South Middlesex Opportunity Council (SMOC):** This organization's goal is to help individuals attain economic self-sufficiency. This is done in part by helping men and woman participate in the organization's Adult Literacy programs. These programs offer GED preparation and computer skill training. Many of the participants in the programs have previously been homeless and some are currently residing in one of SMOC'S shelters or transitional housing programs.
- **United Way of Tri- County:** The bank has played a significant role in supporting this entity. This organization offers community services targeted to low and moderate-income individuals.
- **MetroWest Momentum Program (MWMP):** This program was established in 1990 as a subsidiary of the MetroWest Chamber of Commerce to support the recovery of the local economy, especially the depressed area of downtown Framingham.

In October 2000, Middlesex Savings Bank established and incorporated its own nonprofit private Charitable Foundation to further carry out the philanthropic mission of the institution. Eligible for consideration are time-limited or special projects that provide a unique educational opportunity to local youth and/ or adults. Preference will be given to projects that provide opportunities for lower-income individuals and families to increase their economic security. Disbursements to approved agencies will commence in November of 2001.

## **CONCLUSION (Investment Test)**

Middlesex Savings Bank has demonstrated a significant level of qualified community development investments and grants, and has exhibited an excellent responsiveness to the community it serves.

## **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Middlesex Savings Bank's service activities are rated "Outstanding".

### **Retail Banking Services**

#### ***Distribution of Branches***

Middlesex Savings Bank is headquartered in the center of downtown Natick, at 6 Main Street, which is designated as a middle-income census tract. The bank also operates two operation centers at 235 West Central Street and at 36 Summer Street. In addition to its main office, the bank maintains 19 full service offices in the following communities: Acton, Ashland, Concord, Framingham, Groton, Holliston, Hopkinton, Littleton, Medfield, Millis, Natick, Maynard, Southborough, Sudbury, Wayland, Wellesley, West Acton, West Concord, and Westford. All offices are located in middle or upper-income census tracts. All of the branch locations offer access to walk-up automated teller machines (ATMs).

#### ***Record of Closing Branches***

The bank maintains a Retail Banking Office Relocation and Closing Policy. The Board of Directors approved this policy in March 2001. The plan outlines basic procedures to be followed should the decision be made to close an office. No branch offices have closed since the last FDIC examination dated February 7, 2000. A new branch has opened in the town of Littleton since the last examination.

#### ***Alternative Banking Services***

The bank's services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the bank's assessment area. All of the full service offices offer extended hours during the week and are open Saturday mornings. In addition, seven branches have drive-up ATMs and ten locations offer drive-up facilities. Middlesex Savings Bank also operates five cash dispensing machines including one located at Newbury Court, an assisted living facility in Concord and at the Clocktower Place in Maynard. The ATMs are linked to the CIRRUS, NYCE, The Exchange and VISA networks. The bank is a member of the SUM network that allows the bank's ATM cardholders free use at member institution ATMs.

MSB also offers a Visa Card (debit card). There is no fee charged to customers who use the debit card.

Currently, there are 22 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second spoken languages include Albanian, Arabic, Chinese, French, Indian, Iranian, Italian, Philippine, Portuguese and Spanish.

The bank offers customers 24-hour account access through its automated telephone banking system known as Smart Access 24. By utilizing the bank's phone banking, customers can access their accounts, obtain current interest rate information, and determine loan payment information on any loan account. This service is available to all customers in Spanish and English and is free of charge.

Bank by mail service is also provided to all of the bank's customers and prospective customers. Customers commonly use this service to mail in deposits and loan payments. The bank does not charge a fee for this service and postage paid envelopes are furnished to customers.

Middlesex Savings Bank operates a call center staffed by approximately six employees Monday through Friday 7:30 am to 6:30 p.m. Customers can call the bank and speak to a person regarding loan or deposit account information. Customers when identified can make changes to their accounts as well as perform all of the functions offered by the Smart Access 24 system. The call center is free of charge to customers.

In addition to the above options, the bank also hosts a website at [www.middlesexbank.com](http://www.middlesexbank.com). The site allows customers to access information on the history of their account as well as export the information into a personal financial manager such as Microsoft® Money or Quicken®. The site allows customers to view their history, search for a specific item, reconcile accounts, transfer fund from one account to another and make loan payments. The website also features bill payment, a tool that allows online users to pay their bills to any person or company in the United States. The bill payment service is optional for a monthly fee of \$4.95.

### ***Other Services***

As a participant in The Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Middlesex Savings Bank offers low cost savings and checking accounts. The following details the low cost savings and checking accounts offered by the bank.

**Basic Checking:** The Basic Checking Account requires no minimum balance and allows for 10 free checks per month with a \$3.00 monthly fee. A free ATM card is offered with every account. Use of the card is free at all MSB and Sum ATM locations.

**Freedom Checking:** This account requires a \$250 minimum balance. This balance is waived if the customer is enrolled in direct deposit. There are no fees assessed for monthly service, check, or ATM usage.

**Regular Savings Account:** This account requires no minimum balance and there are no monthly service charges or fees.

**Money Fund Plus Account:** There are no minimum balances required on this account, however, interest is paid on a tiered format. There are no service charges for this account.

There is no minimum balance necessary and no monthly fees assessed with the direct deposit of a State or Federal monthly benefit. The regular savings account is available in either a statement or a passbook format with ATM card available with the statement savings account.

The bank is an active participant in the “Protect Your Savings Program” sponsored by the Executive Office of Elder Affairs, Massachusetts Office of Consumer Affairs and Business Regulation, Attorney General’s Office, The Division of Banks, and the Massachusetts Bankers Association. This program helps bank employees, who suspect that an elderly customer is being financially exploited, by supplying the proper information and administrative tools necessary to intervene on the customer’s behalf. Brochures have been created to help individuals identify these seniors and make sure that proper referral channels have been established. These brochures are available in all of the bank’s lobbies.

Middlesex Savings Bank is also involved in the Commonwealth of Massachusetts “Savings Makes Cents” program. The goal of this program is to teach children the basics of how to manage their funds.

The bank is a member of the Massachusetts Bankers Association Foreclosure Prevention Project that assists banks and customers experiencing financial difficulties find viable alternatives to foreclosure.

For the period under review, Middlesex Savings Bank paid interest to IOLTA totaling \$51,627.83. Attorneys and law firms maintain these accounts for the short term holding of client’s funds. Interest earned on these accounts is remitted to the IOLTA committee, which distributes funds to local charities to provide low or no cost legal services to low-income individuals.

Middlesex Savings Bank also services the loans granted through the Frederick A. Rubin Micro Loan Fund. The fund’s primary objective is to address the needs of small business owners located throughout the MetroWest region who have been unable to access credit and capital through the traditional banking system.

## **Community Development Services**

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Middlesex Savings Bank officers and employees are involved with

community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends its technical expertise, experience and judgment to these organizations. Detailed below are the bank's qualified community development services.

- **Frederick A. Rubin Micro Loan Fund:** The bank's President and CEO was instrumental in the establishment of the Micro Loan Fund. The President and CEO also serves as the spokesperson for this fund. The bank's CRA and Compliance Officer is the Treasurer and a Vice President of Loan Administration serves as the Chairperson of the Loan Review Committee. As previously mentioned, the fund's primary objective is to address the needs of small business owners located in the MetroWest region who have been unable to obtain credit and capital through the traditional banking system.
- **South Middlesex Opportunity Council (SMOC):** This non-profit organization operates as a community action agency for the Greater Metro West and Blackstone Valley Area. The organization provides over forty different programs to help meet the needs of low and moderate-income individuals including day care and pre-school education, head start programs, housing services and shelters, women's protective services, and programs for the elderly. The bank's Vice President of Commercial Lending serves as the Treasurer of this organization.
- **Smaller Business Association of New England (SBANE):** The bank's Vice President of Loan Administration serves on the Community Advisory Board of the Association. In addition, the bank's Executive Vice President of Lending, the Lending Officer, and the Construction Loan Officer are members of the association. SBANE is an organization that assists small businesses throughout New England with advocacy, counseling, and educational programs that cover all aspects of running a business such as financing, accounting, sales, and operations.
- **Crossroads Community Foundation:** The foundation is a non-profit, public charity whose income is used for grants to charitable institutions serving the community. The foundation's mission is to create an interface between philanthropic opportunity and demonstrated need for people who live and work in MetroWest and adjoining communities. The bank's CRA and Compliance Officer serves on the distribution committee of the organization.
- **MetroWest Momentum:** The bank's President and CEO serves on the Fundraising Committee of this organization. MetroWest Momentum's primary goals are to promote economic expansion through an improved business climate, workforce development and business retention while representing the interests of MetroWest businesses through cooperation between the business community and the public sector.
- **Tri-County United Way:** This organization offers community services targeted to low and moderate-income individuals. Approximately 70% (estimated) of funds are directed to low and moderate-income individuals. The bank's Senior Vice President of

Commercial Lending serves as the Vice Chair and is a member on the Board of Directors.

- **BayPath Elder Services Money Management Program:** Established in 1991, the Money Management Program volunteers help low-income elders over the age of 60 manage their day-to-day finances. Trained volunteers assist elders with bill paying, bank statement reconciliation, and budgeting. The bank's Chief Financial Officer and Senior Vice President serve on the Board of Directors, offering financial expertise and an employee of the bank also serves this organization.

In addition to the above noted organizations, officers, employees and board members of Middlesex Savings Bank are also actively involved in Business Associations in many communities within its assessment area.

Officers and employees also lend their technical expertise to a variety of other civic, charitable, religious and fraternal organizations located throughout the assessment area.

### ***Educational Seminars***

Bank officers and employees have participated in educational seminars and other events sponsored or co-sponsored by the bank during 2000 and YTD September 1, 2001. These events provide opportunities for bank representatives to inform those in attendance about the products and services the bank offers, and to gain information about unmet credit needs in the assessment area.

- Middlesex Savings Bank has sponsored numerous first time homebuyer seminars. The seminars were held in Southborough, Acton, Natick, Medfield, and Franklin. All those in attendance were given the opportunity to be pre-qualified for a mortgage.
- On January 28, 2000, the bank sponsored a session in its series of Women in Business Seminars. The topic of this session was the insurance needs of the small business.
- In the Spring of 2000, a bank employee participated in the Saving Makes Cents program speaking to a group of students at the Maynard Elementary school about loans. In Framingham, employees spoke to students about the program in both Spanish and English.
- In February 2000, the bank's Assistant Vice President, and staff addressed junior and senior high school students at Maynard High School. The meeting covered the importance of credit and retail banking.
- On April 13, 2000, the bank's CRA/Compliance Officer and the bank's Vice President of Community Banking participated in a meeting of the MetroWest Non-

Profit Network's Executive Director Roundtable. The seminar focused on the unique relationship that bank's have with non-profit agencies. In addition to providing an overview of the bank and its varied services, charitable giving guidelines and employee involvement were discussed.

- On June 8, 2000, the bank sponsored another seminar in its series on Women-Owned Businesses. The session focused on the topic of successfully marketing a business.
- In June, 2000, a bank employee participated in the Westford school system's Junior Achievement Program. Third grade students were taught about the role banking plays in the community.

### **CONCLUSION (Service Test)**

As demonstrated above, officers and employees of Middlesex Savings Bank have achieved an excellent level of service activity and involvement in community organizations throughout its assessment area. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. Therefore, a rating of "Outstanding" is warranted.



## **APPENDIX A**

### **SCOPE OF EXAMINATION**

Middlesex Savings Bank has one assessment area, which was reviewed using the examination procedures for large banks.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used was January 1, 2000 to June 5, 2001 for HMDA-reportable loans and January 1, 2000 to March 31, 2001 for small business loans.

The bank's qualified investments were also reviewed and exhibit an excellent responsiveness to credit and community economic development needs.

In addition, the bank's systems for delivering retail banking services and the provision of community development services were considered and were found to be outstanding.

MSB has branch locations in the Boston and Worcester-MA Metropolitan Statistical Areas (MSAs).

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

## **APPENDIX B**

### **METROPOLITAN STATISTICAL AREAS**

#### **1. BOSTON MSA**

##### **A. Bank Operations and Performance Context**

The Boston MSA contains 18 of the bank's offices – Acton (2), Concord (2), Maynard (2), Ashland, Framingham, Holliston, Hopkinton, Littleton, Medfield, Millis, Natick, Southborough, Sudbury, Wayland and Wellesley. In addition, there are freestanding ATMs in Concord, Framingham, Maynard, Natick, and Wellesley. This portion of the assessment area has a population of 709,724 made up of 251,628 family households. The area contains a total of 140 census tracts. Of these census tracts 1 is low-income, 13 are moderate-income, 49 are middle-income, 75 are upper income and 2 have no income designation. The low-income census tract is in Bellingham. The moderate-income census tracts are in Waltham (4), Milford (3) and Ayer, Framingham, Harvard, Lincoln, Marlborough and Shirley.

##### **B. Conclusions with Respect to Performance Tests**

The portion of HMDA-reportable loans originated by the bank in the Boston MSA portion of the assessment area represents 91.5% of the number and 91.8% of the dollar volume of all loans inside its assessment area. This represents the largest volume of mortgage lending among the MSAs inside the bank's assessment area by number and by dollar volume.

Small business lending in this MSA represents 92.2% of the total number and 80.5% of the total dollar volume originated by the bank inside its assessment area.

## **II. LOWELL MSA**

### **A. Bank Operations and Performance Context**

The Lowell MSA portion of the assessment area contains 2 of the bank's branches located in Groton and Westford. This portion of the assessment area has a population of 77,275 made up of 26,343 family households. The area contains a total of 11 census tracts, of which 5 are middle-income and 6 are upper-income.

### **B. Conclusions with Respect to Performance Tests**

The portion of mortgage loans originated by the bank in the Lowell MSA portion of the assessment area represents 7.5% of the number and 7.3% of the dollar volume of all loans inside the assessment area. This represents the second largest volume of mortgage lending among the MSAs inside the bank's assessment area by both number and dollar volume.

Small business lending in this MSA represents 3.9% of the total number and 6.4% of the total dollar volume originated by the bank inside its assessment area.

## **II. WORCESTER MSA**

### **A. Bank Operations and Performance Context**

The Worcester MSA portion of the assessment area contains no branch offices. This portion of the assessment area is the smallest portion of the bank's market with a population of 26,084 made up of 9,551 family households. The area contains a total of 6 census tracts, of which 1 is middle-income and 5 are upper-income.

### **B. Conclusions with Respect to Performance Tests**

The portion of mortgage loans originated by the bank in the Worcester MSA portion of the assessment area represents 1.0% of the number and 0.9% of the dollar volume of all loans inside the assessment area. This represents the smallest volume of mortgage lending among the MSAs inside the bank's assessment area by both number and dollar volume.

Small business lending in this MSA represents 3.9% of the total number and 13.1% of the total dollar volume originated by the bank inside its assessment area.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## MIDDLESEX SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 11, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.